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SUBJECT: KAZAKHSTANI FINANCIAL INTELLIGENCE UNIT VISITS UNITED STATES

ASTANA 00000925 001.2 OF 002

¶11. (U) Sensitive but unclassified. Not for public Internet.

¶12. (U) SUMMARY. A delegation from the Committee of Financial Monitoring of the Ministry of Finance participated in an FIU orientation program presented by the Financial Crimes Enforcement Network (FinCEN). The orientation program was created by FinCEN for newly established FIUs. In addition to FinCEN, the delegation met with INL Deputy Assistant Secretary Snyder and representatives from the IRS, including one from the information technology department. Upon their return to Kazakhstan, members of the delegation began preparing to brief the rest of the Committee on information learned during the trip. The Chairman of the Committee is also continuing to push Anti-Money Laundering (AML) legislation through the upper house of Parliament. END SUMMARY.

#### BACKGROUND

¶13. (U) The Committee on Financial Monitoring -- Kazakhstan's Financial Intelligence Unit (FIU) -- was established under the Ministry of Finance in April 2008 and Mussiraly Utebayev was appointed chairman six months later. During his first meeting with the Embassy's INL Office, Utebayev requested a study tour to the United States to learn more about the structure and operation of his Committee's U.S. counterpart, the Financial Crimes Enforcement Network (FinCEN).

#### FINCEN VISIT

¶14. (U) In response, INL sponsored a study tour for senior officials from the FIU to visit FinCEN April 13-17. During the visit, the Kazakhstani FIU officials were engaged and raised many issues, frequently asking detailed questions and insisting on equally detailed answers. They were especially interested in how FinCEN evaluates its effectiveness, including the number of investigations

conducted using FinCEN information. At the end of their visit to FinCEN, Chairman Utebayev made a presentation on the future of the FIU.

**¶15. (SBU)** The FIU is already working on IT development and has funds allocated for the next three years. The delegation, which included the head of the IT department, was interested in FinCEN's systems and, because FinCEN's systems are operated by the IRS, was pleased to have the opportunity to meet with the IRS during their trip.

They asked the IRS detailed questions about data storage, transmission, and system modernization. The FIU is facing some bureaucratic problems in developing its system and the Kazakhstanis were relieved to find they are on the right track. The delegation also asked about procedures for providing access to different agencies and who bears responsibility for leaked information. In this regard, they asked about actual cases of misuse or leakage of information and disciplinary actions in response to such incidents.

The FIU is clearly very concerned about the risks of providing information to users outside of the FIU.

**¶16. (U)** The delegation sought advice on how best to get information from law enforcement agencies -- through direct access or by uploading information from databases to an FIU system. FinCEN representatives explained that the biggest issue is not how information is accessed, but not allowing law enforcement to know the reason for specific information requests.

**¶17. (U)** The delegation asked questions about a range of financial monitoring issues: financial monitoring of attorneys, monitoring the various categories of financial transactions in banks, training for bank compliance officers and employees, penalties for non-compliance, and procedures for interaction between FinCEN and those subject to financial monitoring. During the discussion of the various reporting forms used by FinCEN, the delegation agreed that developing a single report for both suspicious and currency

ASTANA 00000925 002.2 OF 002

transactions would be a better solution for Kazakhstan.

**¶18. (U)** Chairman Utebayev was especially interested in FinCEN's analysis of the dangers of money laundering through mortgage loans and the issue of attorney-client privilege. He expressed a desire to cooperate with FinCEN in such areas and requested FinCEN's mathematical models in order to perform similar analyses in Kazakhstan. He also told the Director of FinCEN that he was willing to cooperate with FinCEN in its research on foreign currency flows.

**¶19. (SBU)** The delegation also delved deeply into organizational and structural issues, asking about the division of duties among analysts, the time spent per case, and the procedures for dealing with political corruption cases. Utebayev asked about the educational background and training of FinCEN's employees.

#### THE FUTURE OF THE FIU

**¶10. (SBU)** Chairman Utebayev is looking to protect his FIU from corruption and, thus, would like to separate the FIU from the Ministry of Finance and operate it as an independent body. He believes that the FIU is vulnerable within the Ministry because officials of other Committees, such as the Customs Committee and Tax Committee, may not be pleased with the work of the FIU and may attempt to stand in its way. This concern seems to be influencing many of Utebayev's decisions about the operation the FIU. For example, he does not want to provide database access to law enforcement agencies and is planning to provide information only in response to official requests.

**¶11. (SBU)** Utebayev is also interested in his FIU playing a leading role in overseeing government bailout funds transferred to private companies. He was asked about the role FinCEN is playing in U.S. bailouts.

**¶12. (SBU)** During his meeting with INL DAS Snyder, Utebayev stated that, at full strength, the FIU will employ 65 people in Astana and 30 in Almaty. Currently there are approximately 30 people in Astana. Utebayev asked for assistance in four areas: (1) support

for Kazakhstan's entry into the Egmont Group; (2) help in arranging additional study tours to countries with federal-style system of government; (3) staff training; and (4) support for cooperation with the World Bank in joint research projects.

#### FURTHER DEVELOPMENTS

¶13. (U) Kazakhstan has concluded a memorandum of cooperation with Russia in the areas of information technology and legislation. The Embassy's INL Office plans to sponsor training for the FIU's personnel, but does not want to duplicate assistance provided by Russia or other donors. We thus hope that the U.S. delegation can hold a donor meeting on Kazakhstan with the World Bank and Russia on the margins of the EAG meeting in St. Petersburg June 8-10.

#### AML LAW UPDATE

¶14. (SBU) During a follow-up meeting in Astana, Utebayev updated INL on the status of Anti-Money Laundering (AML) legislation. Utebayev, a former Senator, has had a series of meetings with the main committees of the Senate involved with the legislation. He is concerned that the Senate wants to amend it to cover both "terrorism financing" and the financing of "extremist organizations." Utebayev is planning to offer to draft FATF recommendations to address this issue during the EAG in June rather than amending the AML legislation. Currently, he is trying to convince key Senators not to make further conceptual changes to the draft law, but to accept it as is.

MILAS